A12/B12: Raising the Bar for Health System Boards of Directors

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Presenters have no disclosures

Session Goals

• Identify the strengths and weaknesses of your board of directors’ approach to governance
• Implement board activities or practices previously untried
• Assess the degree to which current board members fit the organization’s needs
What good boards do
- Select, support, evaluate, and coach (as necessary) the CEO
- Ensure effective CEO succession planning
- Assess and provide guidance on strategic direction
- Incorporate the voice of the customer into strategy discussions
- Set an example of integrity, teamwork, and high standards
Common Weaknesses of Health System Boards

• Lack of true engagement in the role
• Lack of knowledge in the complexities of healthcare
• Narrow role definition
• Insufficient attention to recruiting the most qualified directors

ThedaCare Center for Healthcare Value

• Founded in 2008 as a 501(c)3 not-for-profit
• Independent board includes Paul O’Neill; John Shook, CEO, LEI; George Koenigsaecker, former President Jake Brake (Danaher); Maureen Bisognano, CEO, IHI; Arnold Milstein, Stanford Professor; Steve Shortell, U.C. Berkeley Professor
• Goals: Redesign care to improve value, develop payment systems that reward value, publicly report health outcomes
• Connect: createvalue.org
ThedaCare for Healthcare Value

Transparency of Cost, Quality, Risk and Consequence

Care Delivery Redesign with Focus on Value to Patient

Payment Models that Reward Value

ThedaCare

In the Year 2000
- 2 Hospitals, including a Cancer Center, Level II Trauma Center, Acute Rehab Unit
- 9 Physician Clinics
- 1 Behavioral Health Location
- 1 Home Care Locations
- 0 Employer Health On-Site Clinics
- 0 Skilled Nursing Facility
- 1 Senior Living Facility
- $400M Revenue

In the Year 2013
- 5 Hospitals including Cancer Center, Heart Institute, Level II Trauma Center, Stroke Center, Acute Rehab Unit
- 27 Physician Clinics
- 6 Behavioral Health Locations
- 3 Home Care Locations
- 39 Employer Health On-Site Clinics
- 1 Skilled Nursing Facility
- 1 Senior Living Facility
- 1,359,462 Patient Visits
- $750M Revenue
ThedaCare’s Results Since 2004

• 3 to 1 return on investment first 3 Years
• Employee satisfaction down then up in 2009
• Doubled operating margin over 5 years (2004-2009)
• Increased days cash on hand from 140 in 2004 to 240 in 2013
• A- to Aa- Bond rating
• Consumer Reports ranks ThedaCare Physicians No. 1 in Wisconsin for Quality in 2013

ThedaCare True North Metrics

Safety
- System Patient Safety Bundle
- D.A.R.T

Quality
- Preventable Mortality
- 30 Day Readmission

Customer “Lori”
- Customer Loyalty Score

People
- Engagement Index
- Health Assessment Score

Financial Stewardship
- Operating Margin
- Productivity
ThedaCare’s Owner Expectations

- Continual Improvement in Community Health
- Better Health at Lower Cost Than Other Communities
- Access to Coordinated Care
- Leadership in Healthcare Value
- Prudent Financial Oversight

ThedaCare’s Board Realization

The “Big Bet”

- Quality lacking measurement
  - Can’t improve if you can’t measure it
- Embarking on cultural change
- All about the patient (not about “us”)
  - Patient will be decision-maker
- Transparency throughout
Mission & Strategy

Strategy:
• Create a differentially better experience
• Engage payers to include ThedaCare and differentially reward us
• Engage providers in executing the value proposition
• Fundamentally reduce our cost structure

Principles of Lean Healthcare

• Value creation for patients
• Unity of purpose
• Continuous improvement (pursuing perfection)
• Visual management to see & understand patient flow
• Standard work for administrative and clinical care processes
• Respect for people

Respect for People

- No layoff policy due to improvement
- Leaders are coaches
- Teams design and improve their own work
- Public celebration
- Learning organization
- No blame culture

Delivering Measurable Better Value

100% of employees are problem solvers improving something every day!!!
ThedaCare Board Structure

- Result of mergers and affiliations
- Three 3-year terms (except CEO)
- 15 members:
  - Physicians: 3 employed, 3 independent
  - CEO
  - Community lay leaders: 1 rural, 8 other
- Protocols:
  - Physicians nominated by physicians
  - Community members: expertise, influence, gender, geography, corporate leader
  - Annual self-assessment including senior staff input

A Board People Aspire to Join

Roles and Responsibilities

Chair
- Leader of the board and appoints committee members
- Leader of succession planning
- Leader of executive compensation process
- CEO performance evaluation
- Supports the organization in the community

CEO
- Manages all operations and staff
- Responsible for quality and cost results
- Manages all physician relationships
- Responsible for community outreach
- Reports to the board
- Member of the board
Lessons for Health System Boards

• Earn your board seats by making the tough decisions
• Take the long view – and don’t panic
• Benefit from board diversity and engagement
• Favor internal succession; know who the internal executives in the succession plan are and get broad exposure to them
• Stay strategic and let managers do the managing

Qualities of Outstanding Directors

• Depth and breadth
• Conceptual ability
• Self-confidence
• Respectful behavior
• Sense of calm
• Singular organizational focus
• Credibility
Strategy for Attracting and Retaining Board Members

• Approach the best strategic talent in the community
• Look for executives who are experienced at transforming the improvement culture of their organization
• Choose board members that will challenge management
• Educate board members on the transformation needed

Strengthening Trust Between Physicians & Board Members

• Understand the pain points
• Physicians at ThedaCare identified marketing, IT support, corporate communications and long term strategy as areas of concern and lack of alignment
• The Board created a special committee and appointed 12 physicians to it to regularly meet with the board regarding progress
Strengthening Board Members’ Knowledge of Healthcare

- Take the board to gemba
- Teach them how to see waste (waste walk)
- Create Senior Management Visual Room with True North metrics and strategy deployment initiatives and walk them through results each month

Health System Governance Checklist

- [ ] Yes [ ] No Does the board devote the majority of its meeting time to strategy?
- [ ] Yes [ ] No Does the board incorporate the voice of the patient into each meeting?
- [ ] Yes [ ] No Does the board focus on strengthening the organization for long-term success?
- [ ] Yes [ ] No Does the board use a common set of metrics to assess the organization’s performance on the most important indicators of future success?
Health System Governance Checklist

Yes  No
☐ ☐ Are board meetings interactive with all directors contributing?

☐ ☐ Does the board leave managing to management?

☐ ☐ Does the board engage in regular, formal CEO succession planning?

☐ ☐ Does the board select new members with the level of attention and inquiry it would use in selecting the CEO?

Health System Governance Checklist

Yes  No
☐ ☐ Does the board reflect demographic, experiential, and skills diversity?

☐ ☐ Do all board members embrace the “duty of loyalty” in fulfilling their fiduciary responsibilities?

☐ ☐ Does the board invest in focused board education?

☐ ☐ Does the board have a process in place to enhance physician-health system relationships?

☐ ☐ Does the board conduct periodic assessments of its performance and seek continuous improvement?
General Discussion